

V/BKK



William A. Bonnet  
Vice President  
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June 17, 2005

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PUBLIC UTILITIES  
COMMISSION

Ms. Cheryl Kikuta  
Utilities Administrator  
Division of Consumer Advocacy  
Department of Commerce and  
Consumer Affairs  
335 Merchant Street, Room 326  
Honolulu, Hawaii 96813

Dr. Kay Davoodi  
Utilities Rates and Studies Office  
NAVFAC Washington  
1314 Harwood Street, S.E.  
Washington Navy Yard, DC 20374-5018

Dear Ms. Kikuta and Dr. Davoodi:

Subject: Docket No. 04-0113  
Revised CA-IR-95, Page 2 and Clarification to CA-IR-615

Revision to CA-IR-95

Attached is revised Page 2 to HECO's response to CA-IR-95 which was filed with the Consumer Advocate on February 18, 2005, and copy provided to the Department of Defense on March 16, 2005. Page 2 is being revised to exclude the 1) Waiau Water Well cost, 2) EEO Claims and 3) executive life portion of the OPEB balance in the calculation of Accumulated Deferred Income Taxes for ratemaking purposes. Please replace Page 2 of the response filed earlier with the attached page.

Also, one copy of the electronic file for revised Page 2 of CA-IR-95 is being provided to the Consumer Advocate and the Department of Defense. HECO will provide the Commission with one copy of the electronic file along with electronic files for all information requests after the last information request is filed with the Department of Defense.

Clarification to CA-IR-615 Filed With June 15, 2005 Update

HECO also clarifies what revisions were made to the revised pages 7 through 12 to CA-IR-615 that were submitted on June 15, 2005. With respect to revised pages 7 through 9 to CA-IR-615, the annual amortization expense changed in Years 1 through 20 as a result of the updated assumption of the new lease beginning July 1, 2005 (reducing the total number of months in the lease). This change impacted the calculation of the ending rate base balance (including changing the other inputs, which are shown on these pages, to the calculation of the ending rate base balance). The annual principal repayment amount and annual lease interest expenses also changed in Years 1 through 20 as a result of a change in the embedded interest rate in the lease due to the updated assumption of the new lease beginning July 1, 2005. These changes impacted the calculation of the ending lease obligation balance (including changing the other inputs, which are shown on these pages, to the calculation of the ending lease obligation balance).

As a result of these changes, the revenue requirement calculation changed (including changes to the inputs, which are shown on these pages, to the revenue requirements calculation).

With respect to the revised pages 10 through 12 to CA-IR-615, the annual amortization expense changed in Years 1 through 20 as a result of the updated assumption of the new lease beginning July 1, 2005 (reducing the total number of months in the lease). This change impacted the calculation of the ending net asset balance (including changing the other inputs, which are shown on these pages, to the calculation of the ending net asset balance). The annual principal repayment amount and annual lease interest expenses also changed in Years 1 through 20 as a result of a change in the embedded interest rate in the lease due to the updated assumption of the new lease beginning July 1, 2005. These changes impacted the calculation of the ending lease obligation balance (including changing the other inputs, which are shown on these pages, to the calculation of the ending lease obligation balance).

As a result of these changes, the revenue requirement calculation changed (including changes to the inputs, which are shown on these pages, to the revenue requirements calculation).

The electronic file of the Excel worksheet (labeled "CA-IR-615a revised King St lease (2).xls") provided on June 15, 2005 contains the formula used to calculate the various line items in the spreadsheet and shows how these changes impacted the various line items.

Sincerely,



cc: Public Utilities Commission  
Utilitech, Inc.  
Larkin & Associates  
M. Brubaker  
Hill Associates



(REVISED 6-17-05)

Hawaiian Electric Company, Inc.

**Rate Base**  
(\$ in thousands)

Investment in Assets	Actual
<u>Serving Customers</u>	<u>12/31/2004</u>
Net Cost of Plant in Service	1,241,908
Property Held for Future Use	599
Fuel Inventory	39,420
Materials & Supplies Inventories	10,425 A
Unamortized Net SFAS 109	
Regulatory Asset	50,082
Prepaid Pension Asset	81,085
Unamortized OPEB Regulatory Asset	10,415
Unamortized System Development Costs	0
 <u>Funds from Non-Investors</u>	
Unamortized CIAC	144,322
Customer Advances	1,519
Customer Deposits	5,066
Accumulated Deferred Income	
Taxes	162,314
Unamortized ITC	15,166
Unamortized Gain on Sales	489
OPEB Liability	10,390

12/31/04 balance was revised to exclude the following items in the calculation of the Accumulated Deferred Income Taxes for ratemaking purposes: Waiau Water Well cost; EEO Claims; and the executive life portion of the OPEB balance [see DOD-IR-4-4, subpart (c) of these items]. The 12/31/04 balance of \$162,314K reflects the Federal & State accumulated deferred taxes as of 12/31/04, per DOD-IR-4-4. The Federal accumulated deferred taxes is \$140,715K (\$81,150K + \$59,565K, per DOD-IR-4-4, p. 26), and the State accumulated deferred taxes is \$21,599 (\$14,570K + \$7,029, per DOD-IR-4-4, p.32).

A Includes adjustment to Materials & Supplies Inventory related to Accounts Payable of \$618,000. (Refer to CA-IR-95, pages 3 and 4).